

CENTRAL INTELLIGENCE AGENCY

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INTELLIGENCE MEMORANDUM NO. 222

12 September 1949

SUBJECT: Analysis of the Operation of Certain International Organizations.

1. The attached material has been prepared to afford a "briefing" for the Select Committee of the House Committee on Expenditures in the Executive Departments which is to make a field study of the operation in Europe and the Near East of certain international organizations with which the United States is concerned.

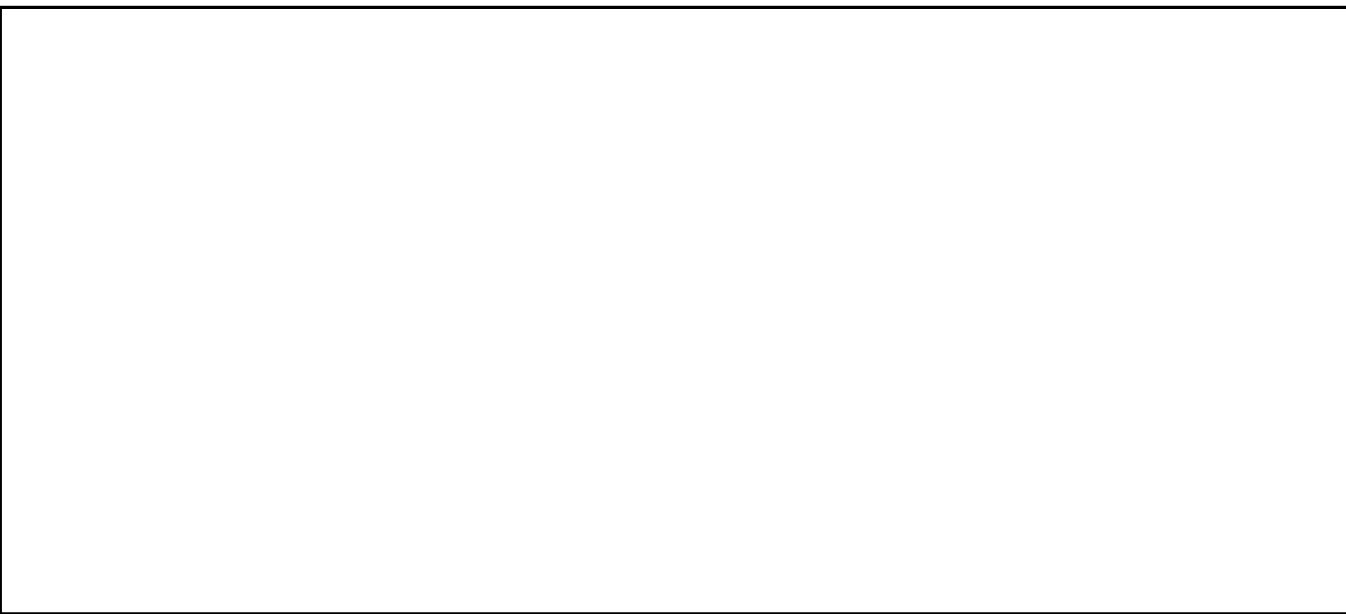


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Annex "A": The organization, function, and operation of the United Nations International Children's Emergency Fund, the International Refugee Organization, the United Nations Relief for Palestine Refugees, the World Health Organization, and the Economic Commission for Europe, as seen in Western Europe, Eastern Europe, and the Near East.

Annex "B": Background material on certain countries of Europe and the Near East, presenting information on political, economic, and social conditions which would affect the programs of the organizations discussed in Annex "A."

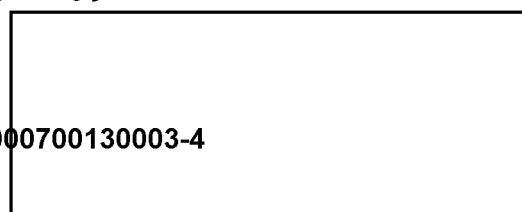
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Note: This memorandum has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force.

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ANNEX "A"

I. United Nations International Children's Emergency Fund

A. Organization and Functions.

The United Nations International Children's Emergency Fund (UNICEF) was established 11 December 1946 to carry on the relief and rehabilitation of children, a task then being relinquished by UNRRA. Distribution was to be based on need, regardless of race, creed, nationality, status or political belief. UNICEF is supported mainly by direct contributions from 33 governments. The USSR has not contributed, though some Satellites have.

The Executive Director of UNICEF is Maurice Pate, US business man. Chairman of the Executive Board is Dr. Ludwik Rajchman, Polish bacteriologist and former director of the League of Nations Health Organization.

	Coordinator with the UN Appeal for Children is Maj. Gen. Lowell W. Hooks, USA, former UNRRA chief.

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As of 27 June 1949, UNICEF had received about \$82,000,000 in cash from contributing governments, supplemented by \$10,000,000 from individuals. As of 26 July 1949, the total of contributions and pledges was \$132,000,000 of which \$129,800,000 had been allocated. The US has authorized \$100,000,000 of matching funds on a 72 (US)-28 ratio. The Fund has also received \$32 million from UNRRA and donations from voluntary organizations and individuals. Sixty-eight percent of contributions and pledges originated from governments, 24 percent from UNRRA residual assets and the remaining 8 percent from public fund raising campaigns and voluntary donations. As of 14 July 1949, 1948 expenditures and allocations for the 1949 and 1950 programs totalled \$82,000,000 for Europe (of which about \$45,000,000 will have gone to the Satellites) and \$20,000,000 for Asia (of which \$9,000,000 will have gone to China). The fund also operates in North Africa, Latin America, and Germany but on a medical rather than a feeding basis. The UNICEF Executive Board has approved plans to continue the work through 15 March 1950, but these are seriously jeopardized by lack of funds for operations beyond 1949. It is uncertain if even the present \$100,000,000 US authorization can be fully matched by other contributors unless the time is extended through 1950.

B. Operations.

UNICEF seeks to make a permanent contribution to child welfare. Its program provides a daily supplementary meal for over 5,000,000 children and nursing and expectant mothers, chiefly in Central and Eastern European countries exclusive of the USSR. Actual administration of operations is effected through assisted countries or agencies designated by them, but is

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checked by UNICEF missions. It relies as much as possible on such specialized agencies as WHO and FAO as well as on the UN Department of Social Affairs. While carrying out no medical program of its own, it supplements and stimulates the efforts of assisted countries. It provides essential medical supplies such as vaccines, penicillin, streptomycin, and DDT. Raw material for children's clothing has been programmed.

The character of the operations varies regionally.

1. Western Europe -- Aid consists chiefly of milk, fats, and medical supplies, which have been distributed in Italy, Austria, France, and Germany.
2. Eastern Europe -- Child feeding programs are in effect in Poland, Czechoslovakia and Yugoslavia. The USSR has neither received nor contributed.
3. Middle East and North Africa -- 500,000 Palestinian Arab refugees are being fed daily and expenditures and allocations to date total \$7,600,000. In North Africa, the program is chiefly directed against tuberculosis.

C. Comment.

From available evidence it appears that UNICEF operations in the Soviet Satellites have in general been free from governmental interference, or attempted favoritism in distribution. However, UNICEF officials have complained that the Satellite governments do not adequately publicize UNICEF aid and have been ungracious in accepting it. The Satellite countries have willingly accepted the supplies but have opposed having UNICEF missions checking distribution. Delivery of supplies to Albania was stopped in 1949 because the mission chief had been obstructed in his work and denied the right to visit depots and distribution centers, a prohibition which constituted non-observance of the UNICEF-Albania Agreement. Bulgaria has recently interfered with UNICEF Bulgarian employees. It is suspected that some Satellites may have tried to divert UNICEF supplies, especially drugs, to the USSR. In conclusion, the work of UNICEF, wherever properly publicized has added credit to the US, which has played a major role in the project.

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II. International Refugee Organization

A. Organization and Functions.

The IRO Charter, while approved by the UN General Assembly on 15 December 1946, became effective only on 20 August 1948, when the required 15 nations, contributing 75 percent of the needed operational funds, had finally ratified. The purposes of IRO, as stated in the Charter, are to assist in the repatriation or resettlement of refugees and displaced persons, to protect their rights and legitimate interests, and to give them care until their repatriation and resettlement can be effected. From the beginning the USSR and its Satellites bitterly opposed the IRO Charter on the grounds that in addition to repatriation, it provided for the resettlement of such refugees and DP's as were unwilling for political reasons to return to countries of their nationality. The USSR has consistently regarded the unwillingness of Russians, Poles, and Balts to return to the USSR and Poland as ipso facto marking them as "war criminals."

The IRO had 18 members on 17 May 1949: Australia, Belgium, Canada, China, Denmark, Dominican Republic, France, Guatemala, Iceland, Italy, Luxembourg, Netherlands, New Zealand, Norway, Switzerland, United Kingdom, USA, and Venezuela. It is governed by a General Council (GC), composed of representatives of all its members, and an Executive Committee consisting of nine members elected by the GC. The present Director General is John Donald Kingsley (US), former Assistant Administrator of the US Federal Security Administration and ex-professor at Antioch College. Kingsley succeeded William Hallam Tuck (US). The Deputy Director General is Sir Arthur Rucker (UK), former Deputy Secretary in the British Ministry of Health.

The budgets for both the first and second operating years were in each case slightly above \$155,000,000. However, care and maintenance dropped from 63 percent of the first year's budget to 33 percent in the second year while re-establishment, repatriation and resettlement increased from 21 percent to 43 percent. The US contributed 46 percent of the budget.

B. Operations.

1. Care and Maintenance.

IRO was organized to take over the unfinished task of UNRRA and IGCR (Intergovernmental Committee on Refugees). On 1 July 1947 the IRO Preparatory Commission assumed responsibility for 704,000 eligible refugees and DP's, maintained largely in camps and assembly centers in Western Germany, Austria, Italy, and the Middle East. It maintains 25 principal offices and numerous sub-offices throughout Europe, the Western Hemisphere, China, the Middle East, and Africa.

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Western Europe.

Agreements negotiated with Occupation Authorities in the US Zones of Germany and Austria impose direct responsibility on IRO for the care and maintenance of refugees, for the operation of assembly centers for repatriation, resettlement and legal protection, and for providing supplementary supplies and facilities. Basic supplies and services required by IRO are furnished by local authorities. Agreements with British and French occupation authorities in Germany and Austria differ fundamentally in that the military authorities themselves undertake direct administration of the assembly centers. IRO also has agreements with France, Italy, Denmark, and Switzerland, and negotiations are pending with other governments. Supplementary welfare and social services of various types are provided in Germany, Austria, and Italy by some 25 voluntary organizations. In Spain and Portugal several international relief societies act as agents for the IRO.

Eastern Europe.

The fundamental opposition of the USSR and its Satellites to the resettlement functions of IRO has limited the cooperation of Eastern European governments with IRO. Originally IRO maintained small offices in Warsaw and Belgrade which provided useful liaison between IRO and the governments there. In the latter part of 1948 the Belgrade office was closed at Yugoslavia's request but the IRO field staff still maintains relatively good liaison with Yugoslav authorities.

2. Resettlement.

Whereas between 1 July 1947 and 28 February 1949 only 62,621 refugees were repatriated by IRO, over half to Poland, in the same period of time 408,067 were resettled, principally in Israel, UK, Canada, USA, France, and Argentina. The problem of DP's, however, has not been reduced as much as these statistics would indicate because the resettlement figures are offset by some 216,138 new applications received from refugees between 1 April 1948 and 28 February 1949. Thus in February 1949, 499,473 refugees were still receiving IRO care and maintenance.

Between 1 July 1947 and 28 February 1949, 93,431 refugees were resettled in Israel. In May 1948, upon the outbreak of the Arab-Israeli war, the IRO decided to withdraw support of immigration to the general area of hostilities, on the grounds that such a troubled region was ineligible as a destination for permanent resettlement. In January 1949, after the fighting had died down, the ban on aid to Israel-bound refugees was lifted. An agreement with the UK covering IRO's activities in the Middle East and East African has been concluded.

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Estimates for Future Resettlement.

During 1948 a total of 17 governments were selecting candidates whom they would receive in mass resettlement schemes. They were Argentina, Australia, Belgium, Brazil, Canada, Chile, France, Netherlands, Morocco, Paraguay, Peru, Switzerland, Tunisia, Turkey, UK, US, and Venezuela. Depending on the action of these countries, it was tentatively estimated that 342,500 refugees might be resettled between July 1949 and July 1950. These estimates presuppose the US taking 165,000 and Australia 70,000 and are necessarily but informed guesses. A hard core of refugees and DP's is in any case certain to be left by 30 June 1950 when IRO plans to wind up its activities. Meanwhile in this final stage, IRO has become the world's largest mass transportation agency, disposing of a fleet of 30 ships and operating 50 railway trains monthly in Europe.

C. Comment.

IRO has done a great deal to liquidate the refugee and DP problem. This has been primarily a Western European matter and failure to solve it would inevitably have added to political and social unrest in an area vital to US security. Without detracting from IRO's record, it would be optimistic to believe that all the refugees will have been resettled by 30 June 1950. IRO must necessarily depend on the willingness of countries to receive its wards. As the hard core is approached, a progressively larger proportion of the remaining refugees is certain to be unemployable or politically undesirable, factors which will increase the difficulty of placing them.

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Non-Members

Contributions

Bahrain (British possession)	\$	29,944 (in rupees)
Ireland		48,387 (in oatmeal)
Italy		29,087 (in textiles)
Switzerland		23,226 (in medical supplies)

TOTAL \$14,690,861

B. Operations.

Since contributions have fallen far short of pledges, relief activities have been necessarily cut to the minimum. A monthly average of less than \$2 per persons and a daily caloric diet of between 1,200 and 1,500 has been maintained for approximately 940,000 refugees. UNRPR has been conducted on a strictly emergency and temporary basis; the Director has kept in mind the likelihood that permanent camps would only serve as monuments to what was considered Western interference in the Arab world when Israel was given statehood. The necessity for repatriation or resettlement has been uppermost in the minds of UN officials.

Imposition of nearly one million refugees on already-improvised Arab agricultural communities in virtually bankrupt Arab states has demoralized the indigenous populations. Absorption is impossible under present conditions of widespread unemployment. The UNRPR is tolerated by Arab governments because they realize that they cannot get the needed relief without UN supervision. Occasional difficulties arise with customs officials, and transportation facilities are entirely inadequate. Attempts are being made to gain permission from Israel to allow UNRPR supplies to transit that state, thereby reducing transportation costs. Arab governments have complained that UNRPR supplies should be bought locally rather than imported, but inflationary prices make local purchase expensive as well as time-consuming when local merchants must be dealt with individually. In Egypt purchases may be made directly from the government, and this has been done whenever possible. In many cases, imported goods represent donations. Charges that Arab officials have indulged in black marketing of relief supplies have been made, but relief has been on such a meagre scale that the opportunity for personal enrichment has been extremely small. Local Arab doctors and nurses are employed wherever they are available, and this has met a complaint originally lodged by governments that resented importation of relatively expensive foreign medical assistance. On the whole, operations have been as efficient as the magnitude of the job and meagre resources could permit.

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IV. World Health Organization

A. Organization and Functions.

The World Health Organization (WHO) came into existence on 7 April 1948 as a Specialized Agency of the United Nations. The objective of the organization, as set forth in the WHO Constitution, is "the attainment by all peoples of the highest possible level of health." WHO is composed of a World Health Assembly, an Executive Board, a number of expert committees and subcommittees, and a Secretariat. The Assembly, which meets annually, is made up of delegations from the 65 member states, and makes WHO policy. The Executive Board, consisting of 18 members, is the executive organ of WHO, and at present includes, among others, representatives from France, Poland, the United Kingdom, and Yugoslavia. The Secretariat, headed by the Director General, Dr. Brock Chisholm of Canada, and the Assistant-Director General, Dr. Martha Eliot, formerly Assistant-Chief of the United States Children's Bureau, included at the end of 1948, 259 technical and administrative staff members.

The headquarters of WHO is at Geneva and regional offices have either been established or proposed for South East Asia, Europe (temporary), the Eastern Mediterranean, America, and Africa.

The USSR, Byelorussia, and the Ukraine, have signified that they no longer consider themselves members, despite the fact that there is no provision in the WHO Constitution for the withdrawal or expulsion of members. Neither Germany nor Spain is a member of WHO.

Governmental contributions to the 1949 WHO budget amount to \$7,000,000, of which the US share is 36 percent.

B. Operations.

In the promotion of positive health, WHO is directing its attention to malaria, tuberculosis, venereal diseases, maternal and child health, nutrition, environmental sanitation, public health administration, and mental health. In addition to these broad programs, WHO took direct relief action in combatting the 1947 Egyptian cholera epidemic, and performs certain technical services in such fields as epidemiology, health statistics, biological standardizations.

Western Europe.

WHO activities in Western Europe have concentrated on malaria, tuberculosis and venereal diseases, particularly in Greece and Italy. In Greece WHO carried out an intensive anti-malaria campaign which involved spraying DDT from airplanes. A joint WHO/UNICEF program in tuberculin-testing and BCG vaccination included the x-ray examination of 250,000 persons. A public health mission was sent to Greece, and a venereal disease program is planned for 1949. WHO sent an advisory mission on malaria, a technical mission

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on tuberculosis, and a public health mission to Italy, where it also conducted an anti-malaria campaign and set up a pilot demonstration in the treatment of children and pregnant women with penicillin. A technical mission on tuberculosis was sent to France, and plans have been made for tuberculosis and venereal disease programs in Austria.

Eastern Europe.

Assistance has been furnished to Czechoslovakia, Poland, and Yugoslavia. In Czechoslovakia, missions considered the control of malaria and venereal diseases, and a tuberculin-testing and BCG vaccination program was instituted. Poland received missions on malaria and public health administration. A venereal disease program was instituted, and a model scheme for tuberculosis control was established in Poland. In Yugoslavia, malaria, tuberculosis and venereal disease programs were initiated, some as joint activities of WHO and UNICEF.

Near East.

Although WHO efforts have thus far been concentrated in the war-damaged areas of Europe, plans have been made for anti-tuberculosis programs in both Israel and Lebanon.

C. Comment.

An analysis of the position of the Soviet bloc in WHO reveals that the Soviet attitude toward the organization differs basically from that of the United States and the majority of other members. The USSR and the Satellites have sought to convert WHO into a supply organization which they could exploit to procure medical supplies and equipment rather than technical advice and assistance.

Eastern European countries have made repeated demands for various supplies and equipment including special machinery for the production of penicillin. These demands have been accompanied by bitter propaganda attacks accusing the US of causing disease and death in Eastern Europe by intentionally withholding vitally needed equipment. It is probable that the inability of the Soviet bloc to convert WHO into a supply organization for the acquisition or possible stockpiling of such supplies and machinery, as well as the fear of defection and "deviationism" on the part of Soviet technical personnel exposed to Western ideas, constituted the actual reason for withdrawal of the USSR, Byelorussia, and the Ukraine from WHO.

Since Soviet attempts to remodel WHO to fit its own needs and purposes have been successfully countered, the organization, evolving along lines favorable to the United States, has made an auspicious start in fulfilling the functions for which it was created. Although scientifically advanced countries, such as the United States, cannot expect to receive substantial material benefits in the form of medical missions and demonstration projects

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from WHO, the United States will derive certain indirect benefits from its membership. Active US participation and the large percentage of the WHO budget contributed by the US will serve to increase US prestige and propagate US methods and influence in the countries which are aided by WHO programs. In this connection, the activities of the United States in WHO are likely also to further the objectives of the recently expanded US program of technical assistance to underdeveloped countries.

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V. Economic Commission for Europe

A. Organization and Functions.

The ECE was established by the UN Economic and Social Council in March 1947 to undertake to facilitate, through joint action, European economic recovery and development. The US and all European members of the UN are members of the commission. All non-UN European countries except Spain have been invited to participate in its work, technically on a consultative basis but actually as full participants. ECE took over essential tasks then being performed by the European Central Inland Transport Organization (ECITO), the Emergency Economic Committee for Europe, and the European Coal Organization (ECO), three non-UN bodies established during World War II to deal with reconstruction problems.

ECE is headed by Dr. Gunnar Myrdal as Executive Secretary, with headquarters in Geneva. It has organized itself into technical committees on coal, electric power, industry and materials, inland transport, steel, timber, development of trade, and agricultural problems. Although ECE meets once a year in formal session, these sessions are usually concerned with political discussions, while the real work of ECE is done in the technical committees. Here, experts representing the various governments meet to deal on a Europe-wide basis with common reconstruction and development problems. ECE has a competent secretariat to serve the committees and perform general economic research.

ECE and the other UN regional economic commissions patterned after it, are unique among UN commissions in that they may make technical recommendations directly to member governments without processing them through the UN machinery. This relative independence of action has facilitated ECE's outstanding work.

B. Operations.

1. General.

Since ECE's operations deal with common European problems, they are best summarized functionally rather than regionally. A few of the more significant aspects of ECE's record of outstanding accomplishments are briefly summarized below:

a. Coal Committee.

Perhaps the most important field of ECE activity has been in meeting the post-war solid fuels shortage through equitable allocation on the basis of need. With the easing of the coal shortage the allocation procedure has become less important, and the Coal Committee is turning more to

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development problems. It has studied the supply of pitprops and mining equipment as well as that of coal utilization and made recommendations to the interested governments.

b. Steel Committee.

ECE has concerned itself largely with equitable allocation of metallurgical coke, essential to steel production. The coke shortage has recently eased. It has also studied measures on increasing scrap availability, although allocation of scrap is the function of an ad hoc Committee on which the US is represented.

g. Electric Power Committee.

This committee has made studies of the critical power shortage which will not be met even by the ambitious ERP program. It has prepared reports on a number of hydro-electric projects as well as on general equipment and standardization problems.

d. Industry and Materials Committee.

ECE has sought to deal with a number of production bottlenecks in ball bearings, conveyor belts, high-tension insulators, industrial and agricultural machinery, refractory materials, non-ferrous metals, etc., which are hampering full European production.

e. Inland Transport Committee.

In a continent partitioned by numerous national boundaries, transportation has long been a fruitful field for intra-European action, and ECE has inherited the functions and problems of numerous predecessor organizations and conferences. It has sought to stimulate the census, restitution, and redistribution of railway rolling stock. Its most outstanding work, however, has been in the facilitation of international road traffic. Through its efforts, a number of European governments have signed agreements on freedom of the road. It has prepared an international convention on road and motor transport designed to regulate international traffic, establish customs rules, and determine the conditions to be fulfilled by vehicles and drivers crossing international frontiers. A working party has drafted a proposed intra-European road network of standardized highways.

f. Timber Committee.

ECE has proposed an international scheme for financing increased timber production through an equipment loan from the International Bank to Austria, Czechoslovakia, Finland, Poland, and Yugoslavia. Of the \$16 million required, roughly half would be supplied by the Bank and the rest through credits by the prospective timber-receiving countries, which would also guarantee purchase of the increased timber. The Finnish portion of the loan has been made, and negotiations are continuing on the remainder of the scheme.

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g. Trade Development.

This field promises to be a major sphere of ECE activity, as ECE is the only body where Eastern and Western countries at present meet on trade problems. Little has been so far accomplished, however, because of the uncooperative attitude of the USSR.

In addition to the work of the committees, the ECE secretariat has prepared a number of excellent economic studies, particularly its economic surveys of Europe in 1947 and 1948.

2. Regional.

a. Western Europe.

All Western European countries except Spain, which is barred, and Portugal, which shows little interest, have cooperated in ECE activities.

The advent of the European Recovery Program raised the problem of ECE's relationship with the Organization for European Economic Cooperation (OEEC), the European body directing the joint recovery effort. In general it was decided that overlapping of function could be avoided and that OEEC would not undertake those functions already being performed by ECE. The work of the two bodies is complementary, and ECE has provided OEEC with much useful statistical material.

The UK, as in its attitude toward general European economic unification, has at times been cool toward joint action through the ECE. It has frequently questioned the need for certain ECE groups and activities. At the recent ECE session, however, the UK was notably cooperative. There is some indication that, in suggesting ECE might become a vehicle for stabilization of the European coal market, the UK may be trying to convert it into an instrument to protect her export position, particularly since a cartel arrangement with Poland and Western Germany is not politically feasible.

The US Zone of Germany has participated in ECE activities through the US delegation, to which OMGUS observers have been attached when necessary. Allocation of Ruhr coal exports has taken place through the ECE coal committee. ECE established a liaison office in Frankfurt, over the strong objections of the USSR, which maintained that ECE should deal only with the Allied control authorities in Berlin.

The ERP countries have cooperated well in ECE and have presented a solid front against Soviet propaganda charges.

b. Eastern Europe.

The attitude of the Eastern European countries toward ECE has been conditioned by that of the USSR. Poland and Czechoslovakia, both of

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which have major trade relations with Western Europe, have sought to participate fully in ECE activities, while still backing the Soviet propaganda line. The USSR, while not itself participating in any of the real work of ECE, has evidently, for economic reasons, allowed the two Satellites a relatively free hand. The USSR has confined its own participation to attending the annual ECE session which it has used as a propaganda forum for attacks on the Marshall Plan, US export control policies, and Western failure to seek closer ties with the Soviet sphere. More recently the USSR has evinced marked interest in the establishment of the ECE trade machinery, proposing the creation of the trade development committee. Soviet representatives sought unsuccessfully to broaden its terms of reference to include industrial development, probably in the hope of using it to secure needed capital goods from the West. Since the trade committee was established, however, the USSR has refused to furnish it with desired trade statistics or to cooperate in other ways. It is not certain, therefore, whether the USSR really intends to utilize ECE as a vehicle for expanding East-West trade.

Poland and Czechoslovakia have both played an active role in ECE, being relatively cooperative on a technical level, although of necessity following the Soviet propaganda line. The Czech and Polish delegates to the various committees have been economic technicians without a strong political flavor, and have been interested in promoting trade. The Poles, in particular, with coal from Silesia one of their chief exports, have played a major role in the coal committee.

Yugoslavia has until recently played a relatively minor role in ECE, although it has participated in coal allocations. Since the Tito-Stalin rift, however, Yugoslav representatives have appeared more cooperative and, particularly in view of the Cominform economic blockade, can be expected to join more fully in ECE activities.

C. Comment.

Since ECE is directing its efforts toward the same goal as the European Recovery Program, its work is especially useful in terms of the US foreign policy objective of assisting European economic recovery. Insofar as it promotes economic cooperation among the European nations it is also serving the US aim of greater European unification, considered by the US as essential to the political revival and economic viability of Western Europe. Perhaps more than any other UN commission, its work has been concrete, practical and of immediate significance, and it has already to its credit a record of useful results. Through its participation, the US has been able to insure that ECE activities do not take directions unfavorable to US interests, and, even more important, to help guide these activities in the most fruitful direction.

At present, with many shortages substantially liquidated, ECE is examining how to shift its emphasis from reconstruction to development activities.

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A number of subcommittees and working parties have already been eliminated, and there is pressure to drop still others. It is clear, however, that even after the reconstruction period there will be numerous intra-European economic problems which can be fruitfully approached on the basis of cooperative action through the ECE.

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ANNEX "B"

I. United Kingdom.

a. None of the international agencies mentioned (UNICEF, IRO, UNRFR, WHO, ECE) operates in the UK, although ECE studies deal with the economic conditions of Britain.

b. UN affairs are handled in a special department of the Foreign Office, although many issues of course involve other departments and other parts of the government. Deputy Under-Secretary of State, Gladwyn Jebb, is special UN adviser to Foreign Secretary Bevin, and Head of the UN Department of the Foreign Office. A 49-year-old career diplomat, Jebb entered the Diplomatic Service in 1924 and was an Executive Secretary of the Preparatory Commission of the UN in August 1945. He has specialized in UN affairs, though at present he also is UK representative on the Brussels Treaty Permanent Commission. The following Foreign Office officials, also permanent civil servants, serve under Jebb in the UN department: F. B. A. Rundall, Head of the Refugee Department and the UN Economic and Social Department; E. B. Boothby, Deputy Head of the UN Economic and Social Department; and Roger Allen, Head of the UN Political Department.

Junior Ministers of the government who from time to time lead delegations to meetings of various subsidiary organs of the UN are: Hector McNeil, Minister of State; and Christopher Mayhew, Parliamentary Under-Secretary of State for Foreign Affairs. Mayhew was the chief UK delegate to ECE this year. McNeil, 39, is in effect Bevin's principal deputy in the Labor Government. He was first elected to Parliament in 1941, reelected in 1945 when he was appointed Parliamentary Under-Secretary of State for Foreign Affairs, and named to his present position in 1946. He is of Scottish origin, and was in newspaper work prior to a full-time political career. Mayhew, 34, was elected to Parliament in 1945, following army service in which he reached the rank of major. He was appointed to his present junior ministerial post in 1946, succeeding McNeil.

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II. France.

The French Governmental system is Republican in form, and functions under the Constitution of October 1946, which established a bicameral legislature consisting of the Council of the Republic (the upper house) and the National Assembly. The main legislative power resides in the Assembly of 621 deputies, while the upper house, composed of 319 Senators, has very limited powers. The two houses jointly elect the President of the Republic, who, although he has little executive authority, can exercise some degree of personal influence in selecting a prospective Premier and in shaping his program.

The present Quaille Government, established in September 1948, is based on a middle-of-the-road (Third Force) coalition composed of Radical Socialists, Popular Republicans, Socialists, and some lesser moderate elements.

Largely because Prime Minister Quaille has shown ability to compromise, his Government has been in power for 12 months, an unusually long term of office for a French Cabinet. Increasing labor troubles and internal political dissension, however, now seriously threaten the life of the Government.

The Communist Party headed by Maurice Thorez, although ousted from the Cabinet in May 1947, is the largest party in the National Assembly and still possesses real political importance because of its influence over labor. The French CP and its affiliates occupy 182 seats in the lower house, having pooled 27.5 percent of the votes in the last elections (November 1946). The Communist-dominated General Labor Confederation (CGT), has a membership of about 2,300,000. The bulk of industrial labor still believes that the French CP and the CGT are the most effective defenders of working-class interests, despite the exploitation of labor unions for political ends.

Diversity of activity is a basic characteristic of the French economy. The two main pursuits, agriculture and manufacturing, each absorb about equal numbers of workers--37.7 percent and 35.7 percent respectively. Foreign trade is of considerable importance because: certain raw material imports such as coal, oil, and cotton are indispensable and because food imports must, in the coming twelve months, include vital quantities of fats, oils, and grains. Hence increasing emphasis is being placed upon exports as the principal means of paying for the essential imports. Government ownership or control of production facilities is extensive, and includes: railroads, the largest commercial banks and insurance companies, the Bank of France, the coal, gas, and electric industries, most of the merchant marine and aviation industry, and manufacturing enterprises such as the Renault automobile company. Pride in individual enterprise is, however, still strong especially in farming, trading, and specialty manufacturing.

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Organized labor exerts considerable influence on economic progress as well as on political stability. The CGT is the most dangerous weapon used periodically by the French Communist Party against the present regime. The two lesser labor organizations—the Socialist-oriented "Force Ouvrière" and the Catholic Confederation of Christian Workers (CFTC)—are non-Communist and have each a much smaller membership than the CGT. They are not so aggressively led and are not always able to prevent their rank and file from cooperating with the CGT in demonstrations and strikes. Labor unrest has been chronic in France since the war because real wages have not kept pace with rising prices. At present all wages, but only a few prices, are subject to Government controls. The Government has refused a general wage increase since September 1948. Pressure for higher wages is, however, increasing among the ranks of all labor and is fostered by the CGT.

In 1946-48, the main economic objectives were reconstruction of war damage, modernization of agricultural and industrial equipment, and overcoming of the inflation. In mid-1949, however, the first two of these tasks were well under way, and the third was at least temporarily achieved. Thus attention has been centered upon three long-range objectives, toward which progress has been substantial in the past year: (a) reduction of the serious deficit in the balance of foreign payments (especially with the dollar area); (b) avoidance of inflationary means of financing the deficit in the internal budget; and (c) substantial improvement of living standards. Further progress toward all of these goals is being slowed at present by rising prices, especially of foods, as a result of the severe summer drought. ECA aid, however, affords strong support for the Government's efforts, having served in 1948-49 to finance both 60 percent of the deficit in the internal budget and virtually the whole of the deficit in foreign exchange payments.

Two current political issues have had a notable economic and political effect upon the French position with respect to international cooperation. France's attempt to sponsor and support Bao Dai's Government in Indo-China on the one hand and to suppress the revolt of the Communist-led Viet Minh on the other, is a serious drain on France, both militarily and economically. Increased military expenditures in Indo-China are opposed by the French Socialist Party. A difference of opinion exists on the question of admitting West Germany to the Council of Europe. Foreign Minister Schuman will insist that the Saar, now economically united to France, must be admitted to the Council as an Associate Member not later than West Germany. Guy Mollet and the French Socialist Party wish to delay the admission of the Saar until after formal peace treaty with Germany.

French cooperation with the US on all major questions affecting the East-West struggle has been increasingly cordial. The Quai d'Orsay, as well as a substantial majority of the population, now recognize fully that the future of the French democracy lies largely in the hands of the US and its willingness to supply economic and military assistance.

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III. Western Germany.

In Western Germany, conservatism, as opposed to radicalism of the right or left, will dictate the course of the new Federal government as now constituted. Following currency reform in 1948, the slow but steady improvement of the economic situation restored some measure of optimism to the population in spite of war scares. By the national elections in August 1949, German socialism had lost in popular appeal because of the improved economic situation, the unimpressive example of the UK Labor Government, and an injudiciously conceived election campaign. As a result, the conservative parties--the Christian Democrats, the Free Democrats and several smaller groups--won control of the Federal lower house or Bundestag. The Socialists, although the second strongest party, are now the opposition, together with minor peripheral elements from the extreme left and right. In general, the conservative victory will mean a government inclined to cooperate with the US and Western Europe, although German antipathy toward occupation controls and foreign interference in internal affairs will grow rather than diminish. The conservative government will strive in every way to raise Germany from the position of an international pariah and to obtain the reduction or elimination of occupation controls wherever possible.

On the other hand, neither the population nor the government will be inclined to attempt a rapprochement with the USSR as a means for obtaining German autonomy, although German unification will remain an issue of the first magnitude. The influence of the USSR on Germany will remain in direct proportion to the proximity of its military forces; in the western zones Communism will be unrepresented except by a noisy but ineffective minority.

As a result of the war, a shift of considerable magnitude in the social structure is taking place. Although the loss of population amounts to about 10 percent, a significant qualitative change of the population is exhibited in the disproportion of older age groups and the great excess of women. In addition, the impact of refugees from the East has further distorted the social structure by the injection of an unassimilable element of considerable magnitude, which creates an oversupply of unskilled labor as well as a source of political unrest and dissatisfaction.

Western Germany, despite the war and its aftermath, possesses the most powerful industrial potential in continental Western Europe today. The German economy, however, is burdened with many serious problems. Before the war, Germany was able to compensate for its shortage of most natural resources and its inability to raise sufficient food for its population through extensive exports of coal and industrial products. The war increased the need for agricultural imports, because food production is 15 percent below the prewar level, while the West German population has increased by 25 percent. Western Germany is now less able to support large imports, however, because of lowered industrial productivity and the postwar obstacles to the sale of

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German products abroad. Occupation controls, which forbid some types of heavy industrial production formerly important in the German export trade, the high prices of German goods, and the complex postwar trade and payments structure all contribute to the German foreign trade problem.

There is, moreover, a lack of long-term investments for industrial recovery, the loss of former sources of food and raw materials in Eastern Germany, and rising unemployment. At present, industrial production remains static at about 85 percent of 1936, despite efforts to raise it to the ERP goal for 1952 of a production level at least equal to 1936, with an export surplus to other ERP countries. During the current fiscal year Western Germany has an excess of imports over exports amounting to \$1,108 million, made up by ECA grants, and appropriations by the occupying powers for vital imports.

After the June 1948 currency reform in effect a drastic reduction in the amount of money in circulation production rose rapidly; goods returned to the stores, and the black market died out. The inflationary trend which ensued, leveled off early in 1949, but prices remain extremely high in relation to wages, thereby causing contraction of the domestic market for German products. Savings and domestic investments remain low, but the opening of Western Germany to foreign investment is expected to increase significantly the amount of available capital.

A continuation of the Bizonal Economic Council's "free economy" policy as a solution to Germany's economic problems can be expected as a result of the conservative victory over the Socialists in the federal elections. Actually, governmental planning and controls will be necessary in certain fields, but free enterprise will be permitted the widest scope feasible, and state socialism will be unlikely unless a major reversal of the present gradual upward economic trend occurs.

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IV. Austria.

Within the limitations of the occupation Control Agreement, Austria functions as a federal republic with a parliamentary government. The present government, elected in 1945, is a coalition of the People's Party (Conservative and Catholic) which has a majority and holds the chancellorship; and the moderate Socialist Party. National elections, scheduled for 9 October, are expected to result in a continuation of the coalition, which is stable and pro-Western. The Communist Party, the only other group to have parliamentary representation (4 seats out of 165), is a negligible influence with virtually no chance of gaining legal control.

The USSR has not seized complete control of the eastern zone, and the general mildness of the occupation has encouraged the Austrians to be outspoken and self-reliant. Both the unpopular policies of the USSR and Austria's own economic ills serve to weld the coalition parties and the population into a stable front. Austria's foreign policy, and its relationships with the occupation elements, are irrevocably bound up with its efforts to obtain a treaty which will restore its sovereignty and assure its economic independence.

Despite many adverse factors, Austrian economic recovery since 1945 has been notable, but is primarily the result of foreign financial assistance, most of it from the US. Soviet economic policy, however, exerts a drag on Austrian recovery. Despite Soviet removal of output from Soviet-seized firms and of two-thirds of oil production, the index of over-all industrial production was 115 in July 1949 (1937=100). Agricultural recovery has been slow, with Austria supplying only about half its rationed food needs (2,100 calories average daily ration). Austria's dependence on foreign assistance is indicated by its 1948-49 dollar area deficits of \$229 million, and deficits with other areas totaling \$49 million. Fiscal stability has been maintained by successive monetary and wage-price stabilization programs, and no inflationary pressures are evident at present. Unemployment is only about 64,000 (total population about seven million).

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V. Italy

The first Parliament of the new Italian Republic was elected in April 1948. The term of the lower house (Chamber of Deputies) expires in 1953, and of the upper house (Senate) in 1954. The Christian Democratic Party, representing a broad but by no means uniform span of political thinking and economic interests, holds more than one-half the seats in the Chamber and just less than half in the Senate. (The normally Christian Democrat voters had been swelled by many anti-Communists who supported what appeared to them to be the best political bulwark against Communism.) The Communists and their left-Socialist allies have about one-third the seats of Parliament; most of the remaining seats are held by moderate parties of the Left and Right. Besides the Christian Democratic ministers under the leadership of Premier De Gasperi, the present Cabinet includes moderate Socialists, (left-of-center), Republicans, (conservative), Liberals, and independents. Only the extremists of the Right (neo-fascists) and of the Left (Communists and left-Socialists) are not represented in the Cabinet, but the relative weakness of the other participants in the Government leaves the Christian Democrats in a position to control the direction of the Government.

Although the Italian Communist Party has lost members and prestige since the end of the war, much of this loss has been caused by such unpopular Communist activities outside of Italy as the persistent Soviet blocking of Italian entry into the UN, and Communist efforts to sabotage US aid programs. If the present Italian Government fails to achieve the perceptible improvement in living conditions which was a promise of the election campaign, the Communists may recoup their losses and make a serious bid for participation in the Government.

Outside the Government, the Communists wield considerable influence over Italian life by their domination of the General Confederation of Labor, which, despite two defections in the past year of non-Communist trade unionists, still controls the majority of organized workers in the heavy industries.

A vital force in Italian life is the Catholic Church. Although it does not directly affect all the 99 percent of the Italians who are nominally members, it does exert an important influence on a considerable portion of them. "Catholic Action," a vigorous organization of Catholic laymen, usually presents the clearest, most militant expression of Vatican thinking on political and social problems. Among the Vatican, Catholic Action, and the Christian Democratic Party (strongly oriented toward the Church) there are currently two major and divergent trends of thought: one which advocates progressive measures on socio-economic problems, and the other which seeks to protect various vested interests.

Through their Parliamentary representatives and trade union leaders the Communists have sought, without success, to block the development

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of a pro-Western foreign policy. They have found considerable non-Communist support in the strikes and demonstrations when these have been based on economic issues. The poor natural resources of Italy, the low level of industrialization, the structural defects of the economy inherited from Fascism, and the rapidly expanding population result in a generalized poverty in which the Communists find many sympathizers for their complaints against the Government. Although the average employed Italian is perhaps no worse off than he was before World War II, his income then was only one-half that of the average Frenchman.

Economic and social backwardness is especially pronounced in the South. There, outside the few large cities, half the population is illiterate. The low agricultural productivity cannot feed or provide work for the large families that are characteristic of the area, and industry offers no solution. Opportunities for emigration, which, especially before World War I, relieved the population pressure in the South, are now quite limited. Land improvement and the encouragement of small industries are contemplated by the Italian Government as steps toward solving "the problem of the South." Counterpart funds from the sale of ERP goods will make a considerable contribution to this effort; but the large amounts of capital required and the preference of most private investors for the North do not furnish grounds for great optimism on speedy improvement of the economic and sociological condition of Southern Italy.

The Parliament which reconvenes late in September will be faced with urgent issues on a variety of economic matters such as land reform taxation, government salaries, and labor relations. Prospects are not good for quick and adequate legislation and effective implementation.

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~~CONFIDENTIAL~~VI. Greece.

Greece emerged from World II with its political stability almost entirely disrupted. It is now a constitutional monarchy with a unicameral Parliament. Since the war, considerable progress has been made toward the restoration of normal government, despite two armed Communist uprisings, the second of which has been going on since late 1946 with outside Communist support. The present parliament was chosen in March 1946 (in the first national elections since the establishment of the prewar Metaxas dictatorship in 1936). In September of the same year a national plebiscite approved the return to the throne of the late George II. No national elections have been held since that time. On the death of George II in April 1947, his brother succeeded to the throne as Paul I.

The political complexion of Parliament is generally somewhat right of center. Out of 354 seats, 135 are held by the rightist Populist Party (led by Constantine Tsaldaris) and 81 by the middle-of-the-road Liberal Party under Sophocles Venizelos. Politically in between these two parties are groups led by George Papandreou (30 seats), Stylianos Gonatos (22), Spyros Markezinis (19), and Panagiotis Kanellopoulis (11). General Napoleon Zervas, who heads a group of 20 deputies, is a rightist.

Inasmuch as no political party commands a majority in Parliament, coalition cabinets have been used since 1947, as a means of preserving the forms of democratic government and preventing undue inter-party friction while the serious menace of the guerrilla movement was present. The Populists and the Liberals, in approximately equal numbers, have been the principal participants in recent coalition cabinets, which have also had a small representation from one or more minor parties. The present Prime Minister is Alexander Diomedes, a respected financier and independent statesman with Liberal leanings; his cabinet is virtually the same as the last one headed by the late Themistocles Sophoulis. Tsaldaris, the Populist leader, is first Deputy Prime Minister and Foreign Minister; and Venizelos, Liberal leader since the death of Sophoulis, is second Deputy Prime Minister; Kanellopoulos, leader of the small Unionist Party, is Minister of War. The work of the cabinet is greatly facilitated by the Cabinet Coordination Council, in effect a stream-lined inner cabinet, which is active in handling serious day-to-day problems, as well as in preparing important legislative decrees when Parliament is not in session (as during the summer of 1949).

The Greek Communist Party (KKE) and the Communist-dominated National Liberation Front (EAM), as well as their auxiliaries, have been outlawed since 1947, soon after their announcement of the formation of a guerrilla "government." The guerrilla movement is now suffering a very substantial reduction as a result of increasingly effective army-air action in the field, and police and gendarme action in rear areas. Communist strength was once estimated as above 15 percent of the male electorate, but the

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number has undoubtedly been reduced considerably by Communist failures (in guerrilla warfare and in programs of widespread sabotage and subversion in cities) and mistakes (on the Macedonian question and on Tito, who had been the guerrillas' chief support). True socialists are relatively unimportant in Greece. Other left-of-center groups are likewise small, and generally disorganized. There is a dissident and unorganized liberal group of some size that has sometimes been considered slightly leftist, but its basic sympathies are probably centrist.

The principal issues disturbing Greece revolve about the need for effecting the best possible reduction of the guerrilla movement and its outside support. Recent military successes, if followed by the establishment of effective controls of the northern border and the attrition of the 5,000 guerrillas still at large in organized groups within Greece, will pave the way for a considerable improvement in political stability.

The Greeks are hoping to hold new municipal elections as early as possible, for the first time since liberation; but the tentative scheduling of these elections for the autumn of 1949 may prove premature. New Parliamentary elections may be held in 1950 if internal security continues to improve.

Mountainous and industrially backward, modern Greece has always been poor and over-populated, and heavy wartime destruction and postwar instability served to intensify its two perennial economic problems: an export deficit and a low standard of living. Since the war, Greek economic recovery has been uneven. Agriculture, which provides 70 percent of total exports (tobacco, dried fruits, olive oil) and employs three-fifths of the 7½ million population, has revived the most rapidly, but suffers from high prices, heavy competition in foreign markets, and the dislocation of 700,000 farm people by guerrilla warfare. The small, diversified manufacturing and mining industries have only partially recovered from the war owing to lack of investment capital, guerrilla-induced physical and mental insecurity, and an inflationary situation which has lowered effective demand locally and abroad. Much of the potential economic yield from the large Greek merchant marine continues to be lost through the old practice of registering ships under foreign flags. Invisible returns from the tourist trade and from foreign remittance have recently dropped from prewar levels. Inflation has been more severe in Greece than other European countries since World War II, primarily because of political and military instability during the guerrilla war; Greek labor, faced with a cost of living 26½ times the 1939 level, is restive under the government anti-inflationary wage-freeze policy. Government efforts to stimulate recovery have been limited by inadequate budgetary resources and by controls needed to conserve scarce foreign exchange.

Since Greece ordinarily has difficulty paying for the imports on which it depends for 70 percent of its requirements in fuel, raw materials, industrial equipment, and food, it is obvious that postwar reconstruction and relief needs, together with extraordinary expenses incurred by

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guerrilla warfare, could not be met from the resources of a stunted Greek economy. Over one and one-half billion dollars (or equivalent) of foreign aid has been necessary to meet Greek current and special requirements to date; of this the US has supplied \$879 million, the UK over \$242 million and UNRRA \$354 million. Since 1947, when the US assumed from the UK the principal burden of supporting Greece, a sizable US mission in Greece has coordinated the program for the effective use of American funds. The American Mission for Aid to Greece (AMAG), headed by Ambassador Grady, includes the ECA Mission for Greece (ECAG) under John Nuveen, which handles economic and governmental matters; the Joint US Military Advisory and Planning Group (JUSMAPG) under General Van Fleet, which advises the Greek General Staff on operational matters; and US Army, Navy, and Air Force groups which administer procurement of supplies.

The US aid program has the long-range objective of improving the Greek economy through the attainment of greater governmental efficiency, the use of better agricultural and industrial methods and equipment, land reclamation and power projects; and the development of light industries making a maximum use of local resources. While some progress is now being made in this direction, the US Mission has had to devote a major part of its efforts to meeting such current Greek needs as the relief and rehabilitation of guerrilla-stricken refugees; maintaining a maximum of financial stability in the country; reconstructing vital parts of the transportation system; and building up the Greek armed forces for the anti-guerrilla war. The effectiveness of US military advice, equipment, and tactical training is indicated by the substantial reduction in guerrilla forces achieved by successful Greek Army operations during 1949.

World War II and the guerrilla war have had a more immediate and critical effect on Greece militarily, politically, and economically, but their sociological impact on Greece may prove more lasting. While malnutrition, disease (malaria and tuberculosis especially), and unemployment are chronic Greek ills, their spread has been seriously advanced in recent years; at the same time war and postwar dislocations of the population promise to remain for some time a source of concern to the Greek Government both economically and as a potential source of unrest.

Aid of varying degree is given to 32.6 percent of the total Greek population by the Greek Government from its own resources and from US funds, along with the aid of UNICEF, IRO, Greek War Relief, and other agencies. Over a million indigents, 339,000 orphans, 713,000 members of conscripts' families, and 700,000 guerrilla-stricken refugees constitute an overwhelming welfare problem for an impoverished state.

Strenuous efforts have been made during 1949 to resettle the refugees as the guerrillas have been cleared out; by August only 458,000 refugees remained in government security centers, and it is hoped that another 200,000 can be repatriated before winter. Most of those resettled, however,

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need continued government aid until the first harvest, and it is probable also that these people will prove an especially vulnerable target for winter raids by the guerrillas.

Furthermore, 11-12,000 Greek guerrilla sympathizers are now exiled on various Aegean islands for political reasons, while another 16,000 are temporarily detained by the army under preventive arrest. These, plus an unknown number of captured guerrillas, are at present an economic drain on the government, and their eventual re-education and resettlement will be difficult.

In addition to the population affected within Greece, those who have left Greece in recent years present a problem of unknown proportions for the future, since if they remain outside they may become an important new political or military threat, while if they return, both the economic and political difficulties will be considerable. Since early 1948, 25,345 children have been abducted from northern Greece by the guerrillas and sent to shelters in Communist countries, where they receive good care and a thorough Communist indoctrination (11,845 are in Yugoslavia, 3,550 in Czechoslovakia, 3,050 in Hungary, 6,400 in Rumania, and 500 in Poland). These countries have thus far failed to cooperate with the 1948 resolution of the UN General Assembly providing for the repatriation of the children under International Red Cross supervision. Besides the children, another 30-50,000 Greeks, are distributed in the same Communist countries; this group includes ex-guerrillas, Communist sympathizers, and Slavo-Macedonians who have voluntarily left Greece since the 1944-45 civil war, as well as a large number who have been forcibly evacuated by the guerrillas.

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VII. Lebanon.

Lebanon is a parliamentary republic patterned in most respects on the organization of the French Republic. It is the only Arab country that has no state religion. The population is approximately half Christian and half Moslem; representation in the Chamber of Deputies is allocated on this basis.

The present government under President Bishara al-Khuri and Prime Minister Riad Sulh is considered to be chiefly interested in preserving its own prerogatives. It recently restricted civil and political liberties in order to maintain its position. Although making an outward show of supporting necessary political, social, and economic reforms, the government has done little to implement various reform plans.

Political opposition in Lebanon consists largely of pressure groups, either regional or religious, which revolve about certain leading personalities. The divergent views of these groups hinder the formation of an effective opposition. The Communist Party, although outlawed, continues to function underground, and Beirut is a center for Communist activity. Communism, however, is not considered a serious threat to the existing government.

Lebanon's relations with other Arab states and within the council of the Arab League are correct but not cordial. The Lebanese Christian population is fearful of domination by surrounding Arab states which are predominantly Moslem. Close ties continue to exist between Lebanon and France in religious, educational, and cultural fields despite the political break which occurred between the two countries when Lebanon became independent during World War II.

Agriculture forms the basis of Lebanese economy. Industries are few and in the early stages of development, and local resources for the development of heavy industries are lacking. By virtue of its geographical position, Lebanon serves as a center for entrepôt trade, and its coastal cities possess a well-developed merchant class.

Despite its basic agricultural economy, Lebanon is not self-sustaining in foodstuffs; it depends heavily on Syria for wheat in particular. The country, however, possesses a limited unexploited agricultural potential. Development projects are in process, but the majority of these land-utilization schemes have not gone beyond the blue-print stage.

Lebanon's leading manufacture, silk textiles, has suffered considerably from the public demand for synthetics. Other Lebanese products (glass, shoes, and cardboard) are of second-rate quality and are locally consumed for the most part. A recent protective tariff has been established in order to foster the growth of local industries.

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Lebanese foreign trade has for years shown a consistently unfavorable balance. A portion of these adverse balances is financed through such invisible exports as emigrant remittances, tourism, and transit-trade earnings.

The Lebanese financial structure is tied to the French franc. Dollars and pounds sterling are badly needed to purchase essential materials and consumer goods. The country is making efforts to develop dollar sources and to limit the importation of luxury items from hard-currency areas. Continued inflation stimulates popular unrest.

Lebanon, in many respects, is the most advanced of the Arab states. Literacy, estimated at 91 percent, is markedly higher, and the general standard of living and of health is superior to that of neighboring Arab countries.

All education, public and private, local and foreign, is subject to government regulations, primarily for the purpose of fostering a feeling of national and cultural unity within the country. Although primary and secondary education are expanding, Lebanon still lacks a state university. The two foreign institutions, however—the French Jesuit College of Saint Joseph and the American University of Beirut—play a leading role in higher education.

Lebanon possesses a fairly well-developed middle class, and the peasantry in the main owns its own lands in contrast to the landlord-tenant relationship predominating in other Arab countries. The country's trade union organization is more highly developed than that in other Arab states.

The Christian-Moslem religious composition of the country affects the social pattern, each religious group tending to form its own distinct community. The Christian population is more westernized than the Moslem, as a result of missionary education, emigration abroad, and general religious ties with the Western world.

Lebanese disinclination to accept any large portion of the displaced Palestinian Arabs is directly related to the religious composition of the state, since a large influx of refugees, who for the most part are Moslem, would upset the approximate balance between Christian and Moslem elements.

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~~CONFIDENTIAL~~VIII. Israel.

The state of Israel, a republic with a parliamentary form of government, is today ruled by a coalition government which in the only elections held thus far (January 1949) won 56 percent of the vote and now controls 72 of the 120 seats in the General Assembly (Knesset). The coalition, which includes three representatives of the religious bloc and one representative each from the Sephardim* and the non-socialist Progressive Party, is dominated by the seven members of the moderate socialist MAPAI Party, which directed the Jewish Agency under the British Mandate and was responsible for the policies leading to the establishment of Israel, the defeat of the Arab armies, and the admission of Israel to the UN. The chief opposition to the government comes from the MAPAM Party, which advocates extreme socialism in internal affairs and closer ties with the USSR in foreign affairs. A secondary right-wing opposition to the government is provided by the Herut Party, the political heir of the former terrorist group, Irgun Zvai Leumi. The Communist Party in Israel is numerically small (3½ percent of the total vote in the January elections) and has very little appeal for the ardently nationalist Israelis because of its direction from abroad and its long opposition to the establishment of an independent Jewish state. However, there are some indications that the Communists are gaining additional adherents among Eastern European immigrants and Palestinian Arabs.

The present Israeli Government advocates a neutral policy toward the East-West "cold war," unlimited Jewish immigration into Israel, intensive development of Israel's resources under moderate socialist controls, and complete civic equality for all citizens of Israel irrespective of race, religion, or sex. The attitude of the government toward the surrounding Arab states is generally uncompromising. It is determined to retain all Palestinian territory now under its de facto control, in spite of conflicting Arab claims and UN resolutions, and make Jerusalem an integral part of Israel. Although the government has agreed to the repatriation of 100,000 of the approximately 800,000 Arab refugees, it is extremely unlikely that many refugees will actually return.

Because of the hostility of the surrounding Arab states and the politico-economic pressures resulting from unlimited immigration, Israel is faced with formidable problems. In spite of these problems, however, the pattern of parliamentary government established during the past eighteen months is not likely to be easily changed. Nor is there any indication that the dominance of the MAPAI Party will be seriously threatened for some time to come.

Israel's economy rests on precarious foundations because of: (1) the paucity of natural resources in the Palestine area; (2) the increasing cost of supporting a rapidly enlarging population resulting from the constant

* The party of the descendants of Spanish and Portuguese Jews.

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influx of Jewish refugees; and (3) the oppressive cost of the recent Palestine fighting and the continuing armed truce, both of which have absorbed a substantial portion of Israel's current revenue. Owing to the resultant unbalanced economy the new Jewish state has become dependent—for an indefinite period—upon extensive foreign assistance, particularly from sources in the US.

The Israelis believe that their struggle to overcome these difficulties will be successful and point to the following recent optimistic developments: (1) financial contributions are continuing to flow in from abroad, particularly from the US; (2) a loan of \$100 million was recently granted to Israel by the Export-Import Bank; (3) a financial agreement has just been concluded with the UK, whereby a substantial portion of Israel's sterling balances will be unblocked; (4) foreign trade pacts have been signed with Poland, Hungary, and Czechoslovakia; (5) there has been some foreign investment in Israeli commercial enterprises—e.g., the Palestine Economic Corporation; and (6) the inauguration of Israel's domestic austerity program, designed to keep the consumption of imported goods to a minimum, has now taken place.

Israel's attack on the major problems noted above, however, is vulnerable in several respects. Any serious diminution of foreign financial aid—for instance, through a US business depression, which would substantially reduce contributions—would strike at the roots of a state so limited in natural resources, particularly since it is anticipated that \$2.5 billion will have to be spent during the next few years to implement the agricultural and industrial schemes and to support the rapidly increasing population. Israel's ability to develop sufficient exports is also open to question. Although Israel has certain favorable prospects of becoming a Middle East industrial supply center, Arab bitterness caused by the Palestine war makes it highly debatable when and to what extent Middle East markets will be available to the Israelis, while the postwar return of US and other foreign mass-produced goods to world markets will provide severe competition for Israeli's high-cost goods. The Haifa refinery is still closed. Finally, even with arable acreage substantially increased through expanded irrigation, the country would by no means be assured of agricultural self-sufficiency, and the continued necessity of importing food would require the allocation for foreign exchange badly needed for other projects.

Compared to the other states in the Near East, Israel has an extremely high standard of living, with comparable standards of health and education. Except among recent Jewish immigrants from Yemen and North Africa, illiteracy is almost non-existent. There is compulsory elementary and secondary education, supplemented by numerous technical and professional schools. The Hebrew University in Jerusalem which has an international reputation, is Israel's outstanding educational institution.

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Israel's medical facilities are on a par with those of Western Europe, and its people do not suffer from the endemic diseases which flourish in the surrounding countries. The emphasis is on preventive medicine.

The most serious social problem confronting Israel is the assimilation of its immigrants. The population has increased over 35 percent in the past sixteen months as approximately 250,000 Jews have entered Israel from Europe, North Africa, and Yemen. Although a prodigious effort is being made to care for these people, more than 50,000 are still lodged in tented camps, and many more thousands are without employment. Coming for the most part from urban life, they resist the attempts of the Israeli Government to place them in pioneering, agricultural settlements, and they tend to concentrate in the larger towns and cities. Only about 15 percent have so far been settled on the land, and Israeli industrial development is incapable as yet of absorbing more than a small proportion of the remainder.

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IX. Jordan.

Although the Hashimite Kingdom of Jordan is nominally a constitutional monarchy, with a constitution, a parliament, and a cabinet, King Abdullah is an absolute monarch within his own domain. The UK, however, exercises considerable control over his activities through British advisers stationed at Amman and through its annual subsidy of three and one-half million pounds to the King's Army, the Arab Legion, without which Abdullah's influence in the Arab world would be negligible. Because of his ambition to rule over a unified "Greater Syria" encompassing the present states of Jordan, Syria, and possibly Lebanon, his relations with the other Arab states, with the exception of Iraq, are far from cordial. Abdullah has been more realistic in his relations with Israel than any of the other Arab states, but continues to fear Israeli aggression.

Jordan controls all of Arab Palestine (that is, the territory not occupied by Israel) with the exception of the Egyptian-held Gaza strip. The Palestinian Arabs are represented in the Jordan Cabinet and carry on local government themselves under Jordanian military governors.

The economy of Jordan is almost entirely agricultural and pastoral. There is, moreover, little prospect of future economic development, since there are large desert areas unsuited for exploitation, few natural resources, and little capital and skilled labor. Jordan's principal economic importance is its position athwart present and projected oil pipelines.

With approximately half of Jordan's population still nomadic or semi-nomadic, its living, health, and educational standards are extremely low. Illiteracy is widespread, and only a small proportion of Jordan's youth attend even elementary schools. The government maintains a public health service, but it has made little headway against the endemic diseases of the country.

The relief and resettlement of the Arab refugees from Israel constitute Jordan's greatest domestic problem. The refugees under Jordan authority now number approximately 400,000, and although the government has provided them with limited food and shelter, it is quite incapable of caring for them adequately even for a short time. The UN has administered relief during the past year, and the eventual resettlement of the refugees will also have to be financed and organized with outside assistance. In the meantime, the refugees are a potential threat to Jordan's internal security. The great majority still confidently expect to return to their homes, now within the de-facto frontiers of Israel, and they may well react violently when they realize that Israel is unlikely to permit any significant number to do so.

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X. Spain.

By official declaration Spain is a "Catholic Social State constituted as a Monarchy." Actually no monarch has been named; it remains a dictatorship headed by Francisco FRANCO Bahamonde, who holds the titles of "Chief of State" and "Generalissimo of the Armed Forces." Franco governs by decree-law through a cabinet composed of ministers of his own choosing, and a parliament (Cortes) which serves principally to offer suggestions or to approve his acts.

There is only one legal political party in Spain, the Falange, and Franco is its titular head. Although it retains quasi-governmental status, in recent years its actual power and influence in government have been greatly curtailed, and most of its outward Fascist trappings are no longer in evidence. The government and most of its officials are distinctly "Rightist;" yet much of the social and labor legislation enacted by the present regime can be classified, by general European standards, as progressive and advanced.

The Government is stable and is expected to remain so. Franco's personal position is possibly more secure now than at any time since he came to power, despite dissatisfaction manifested in many quarters. Without the support of the army and security forces, however, Franco could not remain in power.

An important but small segment of the monarchists and the nobility have given Franco their tacit if not active support, as the lesser of evils, and from fear of disorders which might accompany an attempted restoration. The majority of real monarchists, however, advocate restoration of a constitutional monarchy with Don Juan, the younger son of Alfonso XIII, as King. Currently a rather tenuous coalition has been effected with the Socialists and Anarchists with this end in view, but few have hope that a restoration is possible in the near future.

The "Leftist" labor groups in general are sharply divided into anti-Communists on one hand and Communist Party members and their fellow travelers on the other. There is no way of accurately estimating the number of Communists in Spain, although it is believed small, as the party, which is illegal, is kept underground by constant security-police vigilance. It is undoubtedly, however, the best organized and most active of the groups opposed to the regime. As an aftermath of the Civil War, and the strictly enforced security measures of the Franco Government, there are said to be many more Spanish Communists outside Spain than within its borders.

None of the current domestic political issues in Spain is serious enough to threaten the stability of the Franco regime. Probably the most important current problem confronting Franco is the Falange, which formerly constituted one of his principal supports. Franco is attempting to maintain

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the morale and keep the support of the Party and at the same time reduce its influence in governmental affairs. Although this has occasioned considerable Party resentment, Franco is expected to achieve his purpose.

About half of Spain's population of approximately 28,000,000 are engaged in agriculture and the rest in business, professions, mining, and industry. Most of Spanish industry is concentrated in two regions, the Barcelona and Bilbao areas. The former is almost entirely devoted to the textile industry and is the most highly industrialized region in Spain. Steel and shipbuilding are the principal industries of the Bilbao region.

Rehabilitation of the national economy, which has still not recovered from the Civil War, is the gravest problem of the Spanish Government. Two basic factors have hindered economic recovery: a serious shortage of foreign exchange, which limits Spain's imports of necessary raw materials, machinery, and fertilizers; and one of the worst droughts in the country's history. As Spain normally depends almost entirely on hydroelectric power, greatly curtailed production of electricity has had a most serious effect on industry. This, in turn, has caused increasing unemployment. A graver result of the drought has been the damage to livestock and crops, especially cereals, which even in good years are insufficient for the country's needs. Of necessity, therefore, Spain has had to purchase large quantities of wheat abroad, most of which has come from Argentina. Available supplies from that country have, however, proved inadequate, and currently Spain is buying wheat in the US with dollars obtained through a \$25 million Chase Bank loan, secured by 105% gold collateral.

There is a wide disparity in the concentration of wealth in Spain which produces marked contrasts in standards of living. For the majority of the population living standards are low, and there is a constant struggle to obtain the bare necessities of life.

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XI. Portugal.

Portugal is an authoritarian, corporative republic. Although the constitution provides for a President and a National Assembly, both elected by direct suffrage, and for a Corporative Chamber whose members are appointed by the corporative organizations, the actual ruler of Portugal is Prime Minister Salazar. The corporative structure of government instituted by Salazar is based on the Christian Democratic social principles laid down in the papal encyclicals. Under this corporative system all economic and social activities are integrated under the supervision of the State, with the purpose of achieving a proper balance among the population, capital, labor and the professions. Within Portugal the party system, in the ordinary sense, has ceased to exist, and since the advent in 1928 of the present regime, Portugal's political development has been generally restricted to Government-sponsored movements. At present the only legal political organization is the National Union which dominates all political life. Such political opposition to the regime as does exist is ineffective and disorganized because of the political apathy of the population, popular approval of the present Government, and efficient control by the secret police. The clandestine Communist Party is weak and does not constitute a threat to the Government. The maintenance of political stability in Portugal is directly dependent upon the continuance of the support given by the Army to the regime. Although Salazar is not personally popular in military circles, his ability as an economic administrator is admired and he is regarded as the only man who can lead Portugal out of its present economic difficulties.

The Portuguese economy is devoted primarily to agriculture, which engages nearly 60 percent of its population. The country is virtually without heavy industry and has for many years imported most of its machinery and fuel. Before the war these imports were paid for by exports of wine, cork, naval stores, sardines, timber, and cotton textiles, and by invisible foreign exchange receipts. Because of its neutrality and conservative fiscal policies, Portugal emerged from the war with a stable currency and considerable reserves of gold and foreign exchange. However, because of the need for replacement of equipment and replenishment of stocks following the war period, imports, particularly from the US, rose to unprecedented heights. Furthermore, considerable imports of foodstuffs have been required because of several very poor crop years (including 1949), which have caused a further drain on dollar exchange. Exports have not expanded comparably; it has become increasingly difficult to locate foreign markets for Portuguese products, which are largely non-essential or available elsewhere at lower prices. The critically adverse foreign trade position is continuing, despite Government efforts to curb all but the most essential imports, and available foreign exchange and gold reserves are very nearly exhausted. The Government has been forced to postpone long-term projects for industrial development and agricultural modernization, designed to provide a more stable basis for an economy beset with the problem of a steadily increasing

population in a country with poor natural resources. Economic life throughout Portugal is in a depressed condition with unemployment, for years virtually unknown, increasing. The cost of living for the average Portuguese, whose living standard has always been at a bare subsistence level, is mounting. Because of its desperate economic straits Portugal this year has applied for ECA assistance.

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